



# CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 22, 2005

## **H.R. 3169** **Pell Grant Hurricane and Disaster Relief Act**

*As cleared by the Congress on September 15, 2005*

### **SUMMARY**

H.R. 3169 amends the Higher Education Act of 1965 to authorize the Secretary of Education to waive the required return of Pell Grant funds for students who withdraw from school because they are residing in, employed in, or attending an institution of higher education in a declared major disaster area (in accordance with section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act) and their attendance was interrupted due to that disaster.

CBO estimates that enacting H.R. 3169 will increase direct spending by \$2 million in 2006. Enacting the legislation will not affect federal revenues.

### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 3169, relative to current law, is shown in the following table. The changes in direct spending, which total an estimated \$2 million in 2006, fall within budget function 500 (education, training, employment, and social services).

	By Fiscal Year, in Millions of Dollars				
	2006	2007	2008	2009	2010
<b>CHANGES IN DIRECT SPENDING</b>					
Estimated Budget Authority	2	0	0	0	0
Estimated Outlays	2	0	0	0	0

## **BASIS OF ESTIMATE**

Pell Grants are awarded under the assumption that the recipient will be enrolled for a certain period of time. If the student withdraws from school before completing 60 percent of that time, he or she may no longer be eligible for the full award amount and funds in excess of those earned must be returned to the Department of Education.

In many cases, the student's postsecondary institution retains the Pell Grant funds to pay tuition and other institutional fees, so it is the institution that must return these funds upon the student's withdrawal. In cases where the student receives some or all of the funds from the Pell Grant award, H.R. 3169 waives the required return of funds for those students who withdraw from school because they are residing in, employed in, or attending an institution of higher education in a declared major disaster area and their attendance was interrupted due to that disaster.

CBO estimates that this provision will result in \$2 million in direct spending for fiscal year 2006 by waiving the return-of-funds requirement for approximately 1,500 students for academic year 2005-2006. CBO estimates that approximately 80,000 undergraduate students were attending postsecondary institutions that have closed because of Hurricane Katrina, and more than 200,000 additional students were attending schools in counties in Louisiana, Mississippi, and Alabama that have been declared eligible for individual assistance.

CBO used administrative data to estimate the number of these students who were eligible for Pell Grants and then adjusted this total for the majority of students who withdrew who did not receive their awards directly, either because the institution retained their funds to pay for tuition or the institution had not yet disbursed any awards prior to Hurricane Katrina. In addition, CBO assumed some of the displaced students have since re-enrolled in other postsecondary institutions.

Although the waiver authority would be available to the Secretary beyond academic year 2005-2006, Pell Grants in later years are subject to future appropriation actions. Consequently, any effects on that spending would not be classified as direct spending.

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